

GENERAL FUND TAXES

1. SALES TAX ENFORCEMENT -- VENDORS DOING BUSINESS WITH THE STATE OF WISCONSIN [LFB Paper 351]

GPR-REV \$12,600,000

Governor: Require the Secretary of the Department of Revenue (DOR) to determine and periodically certify to the Secretary of the Department of Administration (DOA) the names of persons, and affiliates of those persons, who refuse to collect and remit sales and use taxes on their sales delivered to Wisconsin. Further, provide that DOA, any purchasing agent designated by DOA, any agency making purchases under the state's legislative and judicial branch procurement provisions, and any state authority would be prohibited from entering into any contract or order for the purchase of materials, supplies, equipment, or contractual services with a person whose name (or name of an affiliate of the person) appears on the list. The Legislative Reference Bureau indicates that these provisions likely would apply to local sales and use taxes in addition to state sales and use taxes, which was the administration's intent.

Create the following definitions for purposes of this provision: (a) "affiliate" would mean an individual or business that controls, is controlled by, or is under common control with another individual or business; (b) "business" would mean a corporation, partnership, limited liability company, association, or sole proprietorship operated for profit; (c) "control" would mean to own, directly or indirectly, more than 10 percent of the interest in or voting securities of a business; and (d) "voting securities" would mean securities that confer upon the holder the right to vote for the election of members of the board of directors or similar governing body of a business, or are convertible into, or entitle the holder to receive upon their exercise, securities that confer such a right to vote.

Include reference to this new procurement prohibition among the current law exceptions to the general requirement that most orders and contracts of state agencies must be awarded to the person submitting the lowest responsible bid or the most advantageous competitive sealed proposal.

The administration estimates that adoption of this measure would result in additional sales tax revenues of \$5,400,000 in 2003-04 and \$7,200,000 in 2004-05.

Joint Finance/Legislature: Approve the Governor's proposal with the following modifications to the proposed statutory language:

Delete "Individual or Business" and Replace with "Person". Remove references to "individual or business" from the proposed definition of "affiliate." Instead, refer to a "person" as defined in s. 77.51(10) of the sales tax statutes, which defines "person" to include individuals and businesses. In addition, delete the definition of "business," as a business would already be included as a "person" under the modification.

Modify Language Related to "Refusal to Collect and Remit Sales and Use Tax". Delete the heading "Refusal to collect taxes; certification" and replace it with "Certification for collection of sales and use tax." In addition, delete a description of persons who "refuse to collect and remit taxes imposed under ss. 77.52 and 77.53 on their sales delivered to this state" and refer, instead, to persons who "make sales of tangible personal property and taxable services that are subject to the taxes imposed under this subchapter but are not registered to collect and remit such taxes to the Department, or if registered, do not collect and remit such taxes."

These modifications would make the language consistent with terms used for sales tax provisions under current law and clarify that the restriction would apply to retailers who fail to collect (rather than refuse to collect) sales tax.

[Act 33 Sections: 40, 178, 187, 189, 192, 193, 195, 199, 211, 214, 220, 221, 222, 752, 753, 1651, and 2059]

2. SALES TAX ON LODGING

Joint Finance/Legislature: Delete the phrase "if the use of the rooms or lodging is not fixed at the time of sale as to the starting day or the lodging unit" from s. 77.52(2)(a) 1 of the statutes, which imposes the sales tax on short-term lodging. Specify that the provision would first apply to sales made on or after December 1, 1999, regardless of whether the sales occurred before the effective date of the bill.

Under 1999 Wisconsin Act 9, the 2001-03 biennial budget act, the sales tax on certain time-share properties was deleted and replaced with the real estate transfer fee. However, when the sales tax statutes were amended, the amendment incorrectly failed to delete a portion of the sales tax statutes that related to such time-shares and should have been deleted. This provision would remove the obsolete language described above. There would be no fiscal effect, as the provision would clarify current practice.

[Act 33 Sections: 1647m and 9345(3x)]

3. TRANSFER OF SALES TAX ON MOTOR VEHICLE SALES TO THE TRANSPORTATION FUND

Joint Finance: Require DOR, beginning on July 1, 2005, and on each July 1 thereafter, to determine the amount of revenue generated by the state sales tax on the sale and use of new motor vehicles in the preceding calendar year. Specify that 20% of that amount would be transferred to the transportation fund in each year, beginning in 2005-06. Create a sum sufficient GPR appropriation for transferring the amounts computed by DOR to the transportation fund. It is estimated that the transfer under this provision would be \$48.2 million in 2005-06.

Senate/Legislature: Adopt the Joint Finance provisions with a modification to reduce the annual transfer to the transportation fund from 20% to 10% of the state sales and use tax on new automobiles.

Veto by Governor [B-35]: Delete provision.

[Act 33 Vetoed Sections: 286 (as it relates to s. 20.855(4)(fn)), 670g, and 1650m]

4. NURSING HOME BED ASSESSMENT CREDIT

	Legislature (Chg. to Base)	Veto (Chg. to Leg)	Net Change
GPR	\$6,600,000	- \$6,600,000	\$0

Senate/Legislature: Provide a refundable income tax credit for nursing home residents who pay the bed assessment. Under the budget bill, the monthly bed assessment would increase from \$32 to \$75, beginning July 1, 2003. The tax credit would be allowed on \$43 per month (the difference between \$75 and \$32) and would first be available for tax year 2003 for bed assessments paid on or after July 1, 2003. The credit would be paid through a sum-sufficient GPR appropriation at an estimated cost of \$2,200,000 in 2003-04 and \$4,400,000 in 2004-05. [See "Health and Family Services -- Health Care Financing -- Nursing Homes" for more information about the nursing home bed assessment.]

Veto by Governor [C-10]: Delete provision.

[Act 33 Vetoed Sections: 286 (as it relates to s. 20.835(2)(e)), 666m, 1580r, 1580s, 1580w, 9345(4f), and 9445(3f)]

5. INTERNAL REVENUE CODE UPDATE [LFB Paper 353]

GPR-REV - \$3,100,000

Joint Finance/Legislature: Beginning in tax year 2003, with two exceptions, provide that state individual income, and corporate and business tax provisions be referenced to the federal Internal Revenue Code (IRC) in effect on December 31, 2002. Provide that the changes would apply for Wisconsin purposes at the same time as for federal purposes.

Under current law, references to the IRC generally refer to the code in effect on December 31, 2001. The changes to federal law that affect the IRC were enacted under the following federal acts: (a) the Victims of Terrorism Tax Relief Act (VTTRA); (b) the Job Creation and Worker Assistance Act (JCWAA); (c) the Clergy Housing Allowance Clarification Act (CHACA); (d) the Trade Act; (e) Public Law 107-276, which eliminated notification and return requirements for political parties and candidates; and (f) the Holocaust Restitution Tax Fairness Act (HRTFA). Most of the provisions that would be referenced for state tax purposes would be from the JCWAA.

One of the excluded federal provisions would be the bonus depreciation deduction provided under the JCWAA. Under the federal provision, taxpayers may claim an additional first-year depreciation deduction equal to 30% of the adjusted basis of qualified property that was acquired after September 10, 2001, and placed in service before January 1, 2005. Prior to enactment of 2001 Wisconsin Act 109 (the 2001-03 budget adjustment bill), state depreciation and amortization provisions were automatically referenced to the IRC. However, Act 109 included a provision that eliminated the automatic referencing of state provisions. Instead, state depreciation and amortization provisions are referred to the Code in effect on December 31, 2000. The Legislature must take action to update these references to future years.

A second excluded provision would be retroactive adoption of the deduction for teachers' classroom expenditures. This provision would be adopted for tax year 2003, however.

The IRC provisions that would be adopted would decrease individual income tax revenues by an estimated \$1.8 million in 2003-04 and by \$400,000 in 2004-05. Corporate and business income and franchise tax revenues would decrease by an estimated \$250,000 in 2003-04 and by \$650,000 in 2004-05. Total state income and franchise tax revenues would be reduced by an estimated \$2.05 million in 2003-04 and by \$1.05 million in 2004-05. The following table provides a summary of the items that are estimated to have a significant impact on state revenues.

**Summary of Federal Law Changes with Significant Fiscal Effects
(In Millions)**

	<u>2003-04</u>	<u>2004-05</u>
Individual Income Tax		
Deduction for Teachers' Classroom Expenditures	-\$1.30	-\$0.10
Expansion of Exclusion for Foster Care Payments	<u>-0.50</u>	<u>-0.30</u>
Individual Total	-\$1.80	-\$0.40
Corporate and Business Income and Franchise Taxes		
Discharge of Indebtedness of an S Corporation	\$0.40	\$0.25
Limit of Use of Nonaccrual Experience Method of Accounting	0.25	0.10
Qualified Clean-Fuel Vehicle and Refueling Property Deduction	-0.60	-0.30
Tax Incentives for Indian Reservations	<u>-0.30</u>	<u>-0.70</u>
Corporate/Business Total	-\$0.25	-\$0.65
 IRC Update Total	 -\$2.05	 -\$1.05

[Act 33 Sections: 1580da thru 1580dh, 1582da thru 1582dx, 1583da thru 1583dp, and 9145(1x)]

6. PROPERTY TAX/RENT CREDIT REESTIMATE [LFB Paper 350]

	Jt. Finance/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
GPR-REV	\$10,900,000	- \$17,000,000	- \$6,100,000

Joint Finance/Legislature: Reestimate the cost of the property tax/rent credit (PTRC) at \$363,800,000 in 2003-04 and \$373,200,000 in 2004-05. The reestimates are \$3,400,000 lower in 2003-04 and \$7,500,000 lower in 2004-05 than prior law estimates, which are the estimates that were incorporated into the Governor's bill. Increase estimated individual income tax revenues by \$3,400,000 in 2003-04 and \$7,500,000 in 2004-05, to reflect the effect of changing the estimated costs of the PTRC.

The reestimates of the PTRC reflect the following actions by the Joint Finance Committee and the Legislature: (a) estimated increases in the costs of the PTRC of \$2,800,000 in 2003-04 and \$4,400,000 in 2004-05 to reflect the anticipated effects of the Governor's bill on property taxes; and (b) estimated reductions in the costs of the PTRC of \$6,200,000 in 2003-04 and \$11,900,000 in 2004-05 to reflect the impact on property taxes of the local levy and fiscal controls approved by the Joint Finance Committee and the Legislature.

Veto by Governor [A-1, A-3, and A-15]: Reestimate the cost of the PTRC at \$369,600,000 in 2003-04 and \$384,400,000 in 2004-05, based on expected changes in property tax levels as a result of the following partial vetoes by the Governor: (a) the restoration of prior law four-year-old kindergarten membership [Item A-1]; (b) the restoration of the prior law per pupil adjustment under school revenue limits [Item A-3]; (c) the restoration of prior law levy limits on technical college districts [Item A-15]; and (d) the elimination of levy limits on counties and municipalities [Item A-15].

Compared to the enrolled bill, increase the estimated cost of the PTRC by \$5,800,000 in 2003-04 and \$11,200,000 in 2004-05 and estimate decreased tax revenues from the individual income tax of the same amounts. Compared to prior law, Act 33 increases the estimated costs of the PTRC and reduces the estimated revenues from the individual income tax by \$2,400,000 in 2003-04 and \$3,700,000 in 2004-05. These changes reflect the anticipated effects on property taxes of reductions in state funding of partial school revenue and shared revenue under Act 33 compared to the levels that would have been anticipated under prior law.

7. EARNED INCOME TAX CREDIT [LFB Paper 116]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- \$940,800	\$0	- \$940,800
PR	- 2,128,000	9,232,000	7,104,000
SEG	<u>7,100,000</u>	<u>- 6,863,200</u>	<u>236,800</u>
TOTAL	\$4,031,200	\$2,368,800	\$6,400,000

Governor: Increase funding for the earned income tax credit (EITC) by \$2,200,000 in 2003-04 and by \$1,831,200 in 2004-05, for a total increase for the two years of \$4,031,200. The increases reflect the cost of the credit under current law, which is estimated at \$70,600,000 in 2003-04 and \$70,231,200 in 2004-05. In addition, modify the funding of the credit to reduce the portion funded with GPR and increase the portion funded with other revenue.

Under current law, the state EITC is funded with a combination of GPR and program revenue. The program revenue is federal temporary assistance for needy families (TANF) funding transferred from the Department of Workforce Development (DWD) to pay the refundable portion of the EITC. Currently, the PR portion is provided through an annual, sum-certain appropriation that is set equal to 80% of the credit's estimated total cost. The PR funding level has been based on an assumption that approximately 80% of EITC payments are refunded to TANF-eligible individuals. The GPR share is provided through a sum-sufficient appropriation and covers the portion of the credit not funded with TANF.

The bill would increase the non-GPR funding for the EITC from 80% to 82% of the estimated cost of the credit. For 2003-04, the increase in the non-GPR share would be funded through the PR appropriation from TANF revenue. However, for 2004-05, some of the TANF funding for the EITC would be replaced with revenue from the segregated utility public benefits trust fund. The SEG funding would be provided through a new, annual, sum-certain appropriation. Total funding for the EITC would be as follows: (a) \$12,708,000 GPR and \$57,892,000 PR in 2003-04 (for a total of \$70,600,000); and (b) \$12,831,200 GPR, \$50,300,000 PR, and \$7,100,000 SEG in 2004-05 (for a total of \$70,231,200). The funding recommendations are outlined in the following table:

	<u>Base</u>	<u>Governor's Budget</u>		<u>Change to Base</u>	
		<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>
GPR	\$13,240,000	\$12,708,000	\$12,831,200	-\$532,000	-\$408,800
PR (TANF)	55,160,000	57,892,000	50,300,000	2,732,000	-4,860,000
SEG	<u>0</u>	<u>0</u>	<u>7,100,000</u>	<u>0</u>	<u>7,100,000</u>
Total	\$68,400,000	\$70,600,000	\$70,231,200	\$2,200,000	\$1,831,200

Joint Finance/Legislature: Approve the Governor's provisions with the following modifications:

Reestimate the total cost of the EITC in 2004-05 at \$72,600,000, which is an increase of \$2,368,800 compared to the Governor's provision. Provide funding for the credit in 2004-05 as follows: (a) \$12,831,200 GPR; (b) \$236,800 SEG; and (c) \$59,532,000 PR-S (TANF funding). Compared to the bill, for 2004-05, decrease funding for the EITC by \$6,863,200 SEG and increase TANF funding for the EITC by \$9,232,000 PR-S. The funding levels for the EITC under the Governor's bill and the Joint Finance provisions are shown below:

	<u>Governor's Budget</u>		<u>Jt. Finance/Leg.</u>		<u>Jt. Finance/Leg. -- Chg. to Gov</u>	
	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>
GPR	\$12,708,000	\$12,831,200	\$12,708,000	\$12,831,200	\$0	\$0
PR (TANF)	57,892,000	50,300,000	57,892,000	59,532,000	0	9,232,000
SEG	<u>0</u>	<u>7,100,000</u>	<u>0</u>	<u>236,800</u>	<u>0</u>	<u>-6,863,200</u>
	\$70,600,000	\$70,231,200	\$70,600,000	\$72,600,000	\$0	\$2,368,800

As shown in the table, the net effect of the modifications, compared to the Governor's provisions, would be to increase funding for the EITC by \$2,368,800 in 2004-05.

[Act 33 Sections: 667 and 668]

8. ILLINOIS-WISCONSIN INCOME TAX RECIPROCITY PAYMENTS

GPR	\$8,100,000
-----	-------------

Governor/Legislature: Increase funding by \$2,900,000 in 2003-04 and \$5,200,000 in 2004-05 to reflect anticipated payments to Illinois during the 2003-05 biennium under the Illinois-Wisconsin individual income tax reciprocity agreement. Total funding would be \$33,700,000 in 2003-04 and \$36,000,000 in 2004-05.

9. MINNESOTA-WISCONSIN INCOME TAX RECIPROCITY PAYMENTS

GPR	- \$3,800,000
-----	---------------

Governor/Legislature: Reduce funding by \$4,000,000 in 2003-04 and increase funding by \$200,000 in 2004-05 to reflect estimated Minnesota-Wisconsin individual income tax reciprocity payments for the 2003-05 biennium. Total funding would be \$50,800,000 in 2003-04 and \$55,000,000 in 2004-05.

10. INTEREST ON OVERPAYMENT OF TAXES

GPR	\$2,500,000
-----	-------------

Governor/Legislature: Increase the sum-sufficient appropriation for interest on tax overpayments by \$1,250,000 annually to reflect estimated interest costs. Total funding would be \$2,250,000 each year.

For 2001-02, interest expenses on tax overpayments had been estimated at \$1,000,000. However, actual expenses for the fiscal year were \$2,023,000. In January, 2003, the 2002-03 estimate was revised upward from \$1,000,000 to \$2,250,000, to reflect the higher expense in the previous year. This provision would increase the annual estimates for 2003-04 and 2004-05 to match the current estimate for 2002-03.

11. CIGARETTE AND TOBACCO PRODUCTS EXCISE TAX REFUNDS

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	-\$1,700,000	-\$12,000,000	\$12,000,000	-\$1,700,000

Governor: Reduce funding for cigarette and tobacco products excise tax refunds by \$800,000 in 2003-04 and \$900,000 in 2004-05 to reflect lower estimates of the amount required to reimburse Native American tribes under present law. Currently, for sales that occur on reservations or trust lands, the tribes receive a refund of 100% of the excise tax on cigarettes sold to Native Americans and 70% of the tax on sales made to non-Native Americans. For tobacco products sold on reservations or trust lands, the tribes receive a refund of 100% of the tax on products sold to tribal members and 50% of the tax on products sold to non-Native Americans. Accounting for the reductions identified, total funding of \$11,700,000 in 2003-04 and \$11,600,000 in 2004-05 would be provided.

Joint Finance/Legislature: Reduce the rate of refunds to the tribes of excise taxes from cigarettes sold to non-Native Americans from 70% to 30%. Reestimate total refunds of cigarette and tobacco products taxes to the tribes at \$5,700,000 in 2003-04 and \$5,600,000 in 2004-05. Compared to the bill, reduce estimated refunds by \$6,000,000 in each year.

Veto by Governor [E-1]: Delete the decrease in the refund percentage that was adopted by the Joint Committee on Finance and Legislature.

[Act 33 Vetoed Section: 2057m]

12. BAD DEBT DEDUCTIONS AGAINST CIGARETTE AND TOBACCO PRODUCTS TAXES

Joint Finance/Legislature: Provide that a person who sells cigarettes or other tobacco products at wholesale may claim as a deduction against the cigarette and tobacco products taxes imposed an amount equal to such taxes that are attributable to bad debt that the person writes off as uncollectable.

Define "bad debt" to mean an amount equal to the purchase price of cigarettes or tobacco products, if the amount may be claimed as a deduction under section 166 of the Internal Revenue Code (governing the deductibility of worthless and partially worthless debts). "Bad debt" would not include financing charges, interest on the wholesale price of the products, uncollectable amounts on property that remains in the seller's possession until the full purchase price is paid, expenses incurred in attempting to collect any debt, debts sold or assigned to third parties for collection, and repossessed property.

Require a person who claims a deduction under these provisions to submit the claim on a form and in a manner prescribed by the Department of Revenue and to submit with the form all of the following:

- a. A copy of the original invoice for the sale of the cigarettes or tobacco products that represent bad debt;
- b. Evidence that the products described in the invoice under (a) were delivered to the person who ordered them;
- c. Evidence that the person who ordered and received the products did not pay the person who claims the deduction for the products; and
- d. Evidence that the person claiming the deduction used reasonable collection practices in attempting to collect the amount owed.

Provide that, if a person subsequently collects, in whole or in part, any bad debt for which a deduction is claimed under this provision, the person would have to submit to DOR the portion of the deduction related to the amount collected, in the manner prescribed by the Department and for the period in which the amount is collected. Specify that these provisions would take effect on the first day of the second month beginning after publication of the budget bill. It is estimated that the provisions would have a minimal fiscal effect.

Veto by Governor [E-2]: Delete provision.

[Act 33 Vetoes Sections: 2057v, 2058f, and 9445(1b)]

13. REPLACE TAX APPEALS COMMISSION WITH OFFICE OF THE COMMISSIONER OF TAX APPEALS [LFB Paper 352]

Governor: Eliminate the Tax Appeals Commission and replace it with an Office of the Commissioner of Tax Appeals (OCTA). In addition, reduce funding and positions in the Department of Administration as follows: (a) decrease funding by \$317,700 GPR in each year; (b) reduce the number of unclassified commissioner positions from three to one; and (c) decrease the number of classified support personnel from three to one. These provisions would take effect on the bill's general effective date.

Under current law, the Tax Appeals Commission has three commissioners, who are attorneys appointed outside the classified service and who must be experienced in tax matters. The commissioners are nominated by the Governor and appointed with the advice and consent of the Senate for staggered, six-year terms expiring on March 1 of the odd-numbered years. The Governor designates one commissioner to serve as the Commission Chairperson. The Commission has a support staff consisting of three classified FTE positions, and is attached to the Department of Administration for administrative purposes.

The Tax Appeals Commission is the final administrative authority for the hearing and determination of most tax-related matters arising in Wisconsin. The Commission also decides appeals of state assessments of manufacturing property and equalized values of taxation districts.

The bill would eliminate the Tax Appeals Commission and transfer its duties to OCTA, which would also be attached to the Department of Administration for administrative purposes. All statutory references to the Tax Appeals Commission and its commissioners would be changed to refer to the Office of the Commissioner of Tax Appeals and the Commissioner of Tax Appeals, respectively.

The three tax commissioner positions under current law would be reduced to one position, the Tax Appeals Commissioner. In addition, the support staff for OCTA would be reduced to one full-time position, as compared to three full-time support personnel for the current Commission.

The following provisions would apply to the Tax Appeals Commissioner: (a) the Commissioner would be nominated by the Governor with the advice and consent of the Senate and appointed for a six-year term expiring on March 1 of an odd-numbered year; (b) the Commissioner would be required to be experienced in tax matters; (c) the Commissioner would hold office until a successor was appointed and qualified; and (d) the Commissioner would not be permitted to serve on or under any committee of a political party. In addition, the Tax Appeals Commissioner would be assigned to the same executive salary group (ESG 4) as applies to the commissioners under current law. These provisions are similar to those that apply to tax commissioners currently.

The duties of OCTA would be the same as those of the Tax Commission. However, a change would be made with respect to the individuals deciding cases. Under current law, any member of the Commission or a hearing examiner may hear tax appeals. However, with the exception of small claims cases, decisions about the cases are made by the full Commission. For small claims appeals, a single commissioner assigned to a case by the Commission Chairperson prior to the hearing is responsible for deciding the case.

The bill would eliminate the current requirements that all cases except small claims appeals are decided by more than one commissioner and that, if a case is to be decided by a single individual, that individual is a tax appeals commissioner. The bill would specify, instead, that all decisions would be made by either the Tax Appeals Commissioner or a hearing examiner assigned to the case by the Commissioner. A hearing examiner assigned to a tax appeals case would be authorized to administer oaths, summon and examine witnesses, and issue subpoenas for evidence. [These provisions are similar to those in place for hearing examiners hearing other types of cases.] Currently, a tax appeals commissioner or an employee who has written authorization from the Commission Chairperson may administer oaths. However, only tax appeals commissioners may summon and examine witnesses and issue subpoenas for evidence for tax appeals cases in front of the Commission.

The bill would transfer all assets and liabilities, remaining incumbent employees, tangible personal property, contracts, rules and orders, and all pending matters before the Tax Appeals Commission to OCTA on the effective date of the bill. With respect to the transfer of employees, the bill would specify that: (a) all employees transferred would retain the same rights and

employee status held prior to the transfer; and (b) no employee who had attained permanent status in a classified position would be required to serve a new probationary period.

Total funding for OCTA would be \$270,300 GPR in the first year and \$274,000 GPR in the second year, which is a reduction of \$317,700 in each year compared to the anticipated costs of maintaining the current Commission.

Joint Finance/Legislature: Delete the Governor's proposal to eliminate the TAC and replace it with the OCTA. Instead, retain the TAC but eliminate one FTE support position and include a non-statutory moratorium on appointing a commissioner to fill a current vacancy (for the term ending on March 1, 2009) until July 1, 2005. In addition, amend current law to specify that: (a) if only two commissioners are available to participate in a decision on a case requiring the concurrence of the majority of the TAC and if they cannot reach an agreement, then the chairperson, or, if the chairperson is not participating in the decision, the commissioner with the most seniority, would be authorized to make the decision; and (b) in the event that only one commissioner is available to participate in a decision requiring the concurrence of a majority of the TAC, that commissioner would be authorized to make the decision. Compared to the Governor's bill, restore 3.0 positions and \$158,800 GPR annually. Under these provisions, total funding for the TAC would be \$429,100 GPR in 2003-04 and \$432,800 GPR in 2004-05. These figures are \$158,900 less than the anticipated costs of maintaining the current three-member commission and existing staff in each year. The position and funding changes are reflected in this document under the Department of Administration.

Veto by Governor [D-12]: Eliminate the non-statutory moratorium on appointing a commissioner to fill the current commissioner vacancy. Total funding for the TAC is unchanged from the level provided under the enrolled bill.

[Act 33 Sections: 1614b and 1614d]

[Act 33 Vetoed Section: 9145(1f)]

14. BELOIT DEVELOPMENT OPPORTUNITY ZONE -- ELIGIBILITY FOR TAX CREDITS

Joint Finance/Legislature: Provide that all eligible businesses, including sole proprietorships, partnerships, and limited liability companies taxed as partnerships, could claim tax credits in the Beloit development opportunity zone. In addition, specify that all eligible businesses may claim the development zones capital investment credit, not just those businesses that claim the credit based on the economic activity of another business in the zone. This corrects a statutory cross reference that was not included in the provisions that created the Beloit zone. Based on information provided by the Department of Commerce concerning the likely timing of investments by businesses in the Beloit development opportunity zone, these provisions are estimated to result in a minimal increase in the amount of tax credits claimed in 2003-05 biennium.

The 2001-03 biennial budget (2001 Wisconsin Act 16) included provisions that required the Department of Commerce to designate an area in the City of Beloit as a development opportunity zone. Corporations conducting or intending to conduct economic activity in the Beloit zone can claim the consolidated development zones jobs and environmental remediation tax credit and the development zones capital investment credit, if it is based on the economic activity of another. The maximum amount of credits that can be claimed in the Beloit development opportunity zone is \$4.7 million. The zone was designated by Commerce in September, 2001, and will exist for seven years from that date. The Beloit development opportunity zone provides financial assistance to the City's Gateway project.

[Act 33 Sections: 2628c and 9345(2f)]